

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING -- DIVISION OF FINANCIAL ASSISTANCE
NOVEMBER 15, 2006**

ITEM 9

SUBJECT

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN RECOMMITMENT TO CITY OF LOMPOC (CITY) FOR CONSTRUCTION OF THE LOMPOC REGIONAL WASTEWATER RECLAMATION PLANT UPGRADE AND EXPANSION (PROJECT); SRF LOAN PROJECT NO. C-06-4829-110

DISCUSSION

The City is requesting that the State Water Resources Control Board (State Water Board) recommit \$66.1 million in SRF loan funds to upgrade and expand the City's wastewater treatment plant (Plant).

On March 3, 2006, the Deputy Director (formerly known as Chief) of the Division of Financial Assistance (Division), using the authority delegated by the State Water Board on June 18, 2003, in Resolution No. 2003-0042, approved a \$66.1 million SRF preliminary loan commitment for the City's Project in Division Approval Item No. DFA-2006-18. The Division Approval stated that the SRF preliminary loan commitment would be withdrawn if the City did not issue the Notice to Proceed (NTP) with construction for the Project by August 7, 2006. The City was unable to meet the NTP date because the City had to prepare additional environmental documents for the Project. The City has prepared the environmental documents for the Project and completed the necessary review. The City is now requesting a recommitment of funds.

The existing Plant was constructed in 1960, and was upgraded in 1977. Currently, the Plant consists of headworks, two primary clarifiers, a biofilter, an aeration tank, three secondary clarifiers, a gravity thickener, two digesters, two sludge lagoons, and a disinfection system. The structures and mechanical equipment are deteriorated and eroded due to years of service. The instrumentation and control systems are outdated.

The purpose of this Project is to upgrade and expand the existing Plant to meet waste discharge requirements (WDRs) issued by the Central Coast Regional Water Quality Control Board (Central Coast Water Board). The Central Coast Water Board's Basin Plan has been amended since 1977 to include more stringent water quality goals. The Plant will be unable to consistently meet the WDRs unless it is upgraded and expanded.

The proposed Project will increase the treatment capacity from five million gallons per day (mgd) to 5.5 mgd and construct new headworks, two oxidation ditches, three secondary clarifiers, three flocculators/clarifiers, three tertiary filters, two dissolved air flotation thickeners, and an ultraviolet disinfection system. Construction will start in December of 2006, and completion of construction is estimated to be in October of 2009. Upon completion of this Project, the upgraded Plant will allow the City to comply with WDRs Order No. R3-2006-0037, issued by the Central Coast Water Board.

Based on the latest cost estimate, the construction cost of the Project is \$57.1 million. The total eligible Project cost, including engineering and construction management, is estimated to be \$66.1 million.

The City prepared an Initial Study/Mitigated Negative Declaration (IS/MND) for the proposed project in January 2006, that was distributed to the public and circulated through the State Clearinghouse (SCH# 2006031033) for review from March 9, 2006, through April 7, 2006.

On March 28, 2006, State Water Board staff distributed the Negative Declaration to the following federally designated agencies: U.S. EPA; Army Corps of Engineers; U.S. Fish and Wildlife Service; U.S. Department of Agriculture; the Federal Emergency Management Agency; and the USDA Natural Resources Conservation Service. The federal review period expired on April 30, 2006. There were no comments or concerns from federal cross-cutting agencies.

The Lompoc City Council approved the project and adopted a Mitigated Negative Declaration on May 2, 2006. The City filed a Notice of Determination with the Santa Barbara County Clerk and the Governor's Office of Planning and Research on May 12, 2006.

On June 28, 2006, the State Historic Preservation Officer concurred with the Division's finding that no historic properties will be affected by the project. There are no special conditions.

The City considered the proposed project regarding conformance with population projections and concluded that the proposed project would not violate any air quality standards or contribute substantially to an existing or projected air quality violation. The State Water Board staff did not find the project to be in non-conformance with requirements under federal air quality regulations.

In accordance with the State Water Board's *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005, projects on the adopted priority list need State Water Board approval to receive a SRF loan. A SRF loan commitment can be approved by the State Water Board after the Division has issued the Facilities Plan Approval (FPA). On August 3, 2006, the Division issued the FPA for the City's Project. The City agreed in writing on August 10, 2006, with the Division's approval.

The City has provided the Division with a schedule containing project milestones. These dates are included in the Division's FPA. In accordance with Section IX (J) of the SRF Policy, the resolution includes the following sunset dates for the preliminary funding commitment: June 15, 2007, for issuing a "Notice-to-Proceed" (NTP) to construction, and September 29, 2007, for signing the SRF loan agreement.

The Division may approve up to a 90-day extension for good cause for both dates. The City has applied for the full estimated eligible SRF loan amount of \$66.1 million for the Project. The City requests a 20-year repayment period with the first SRF loan repayment due one year after completion of construction.

POLICY ISSUE

1. Should the State Water Board approve a SRF preliminary loan recommitment for the proposed Project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
2. Should the State Water Board, in accordance with Section IX (J) of the Policy, condition this approval by withdrawing the SRF preliminary loan commitment if the City does not issue a NTP to construction by June 15, 2007, and sign the SRF loan agreement by September 29, 2007? Should the Division staff have the discretion to approve up to a 90-day extension for good cause for both dates?

FISCAL IMPACT

(as of 9/20/06)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10
Beginning Balance:	\$533,353,932	\$151,459,058	\$106,994,430	\$112,710,418
Estimated Repayments	\$176,718,315	\$178,461,255	\$188,461,255	\$198,461,255
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)
Estimated Capitalization Grants	\$44,528,521	\$62,209,185	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$0	\$0	\$0
Local Match Credits	\$30,884,632	\$7,075,635	\$4,610,358	\$4,166,750
Est. SMIF Interest:	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
<u>Estimated Disbursements</u>	(\$559,480,310)	(\$221,253,124)	(\$119,162,521)	(\$61,100,000)
Subtotal	\$193,959,058	\$146,594,430	\$151,010,418	\$224,479,981
Lompoc, City of, SRF Proj. No. 4829-110	(\$15,000,000)	(\$20,000,000)	(\$20,000,000)	(\$11,100,000)
Rosamond CSD, SRF Proj. No. 4148-110	(\$5,000,000)	(\$1,200,000)	(\$2,500,000)	
Reserve for Small Community Wastewater Grant Projects	(\$22,500,000)	(\$18,400,000)	(\$15,800,000)	
Balance	\$151,459,058	\$106,994,430	\$112,710,418	\$213,379,981

Notes:

Estimated Repayments include repayments from existing and future loans.

Local match credits consist of G. O. Bond funds used as state match with previous Capitalization Grants but not disbursed due to previous local agency expenditures for local match loans funded with federal funds from those previous Capitalization Grants.

Estimated disbursements include disbursements remaining on existing loans as well as disbursements anticipated on loans executed for projects with existing commitments. The Division revises the estimated disbursements total monthly as cash draw forecasts are updated.

REGIONAL WATER BOARD IMPACT

The Central Coast Water Board has prescribed NPDES Permit No. CA0048127 and WDRs Order No. R3-2006-0037 for the Plant. The proposed Project will assist the Plant to comply with the NPDES Permit and WDRs.

STAFF RECOMMENDATION

1. The State Water Board should adopt a resolution approving a SRF preliminary loan recommitment of \$66.1 million for the City's Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction.
2. In accordance with the SRF Policy condition this approval by withdrawing the SRF preliminary loan commitment if the City does not issue a NTP to construction by June 15, 2007, and sign the SRF loan agreement by September 29, 2007. The Division staff should have the discretion to approve up to a 90-day extension for good cause for both dates.

**STATE WATER RESOURCES CONTROL BOARD
RESOLUTION NO. 2006 -**

APPROVAL OF A RESOLUTION APPROVING A PRELIMINARY STATE REVOLVING FUND (SRF) LOAN RECOMMITMENT TO CITY OF LOMPOC (CITY) FOR CONSTRUCTION OF THE LOMPOC REGIONAL WASTEWATER RECLAMATION PLANT UPGRADE AND EXPANSION (PROJECT);
SRF LOAN PROJECT NO. C-06-4829-110

WHEREAS:

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*," and amended it on September 22, 2005;
2. The State Water Board, on June 7, 2006, adopted the state fiscal year 2006/2007 SRF Loan Program Priority List which included the City's Project in Priority Class C;
3. The Division of Financial Assistance (Division) approved the preliminary SRF funding commitment for the City's Project on March 3, 2006, in Division Item No. DFA-2006-18. The City was unable to meet the Project schedule. The funding commitment expired on August 7, 2006;
4. The Division approved the Facility Plan for the District's Project on August 3, 2006, and the District agreed with the approval on August 10, 2006; and
5. The City adopted a Mitigated Negative Declaration (State Clearinghouse No. 2006031033) prepared for the Project, which has been reviewed and considered and it has been determined by the State Water Board staff that the project will not result in any significant water quality impacts.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Approves a SRF preliminary loan recommitment of \$66.1 million for the City's Project, with a repayment period of 20 years and the first repayment due one year after completion of construction;
2. Includes a condition that this SRF preliminary loan recommitment will expire if the City does not issue a "Notice-to-Proceed" to construction by June 15, 2007, and sign the SRF loan agreement by September 29, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Directs the Division to allocate \$66.1 million consistent with the construction schedule and availability of funds.

CERTIFICATION

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Board held on November 15, 2006.

Song Her
Clerk to the Board